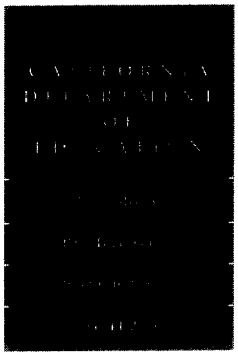
DELAINE EASTIN
State Superintendent of Public Instruction



October 18, 1996

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, NW Suite 814
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service,
CC Docket No. 96-45

Dear Chairman Hundt:

California lags other states in classroom and library computers and telecommunications infrastructure. A national study comparing California with other states ranked California 43rd in network access, and found classrooms offer about one computer for every 73 students. To better prepare its schools and students for the Information Age, State Superintendent of Public Instruction Delaine Eastin convened the California EducationTechnology Task Force (CETTF) to study the challenge of integrating technology in California's kindergarten through twelfth-grade classrooms. The CETTF developed a four year strategy to stage in basic equipment and capacity to use it by the year 2000, at which time it is expected we will achieve four all-important objectives:

- A student-to-computer ratio of four to one
- Telecommunications access for students in every classroom and library
- Technology as an integral resource for all students and teachers
- Reading and math scores above the 50th percentile nationally

We know that meeting these objectives is a massive undertaking, but there is no alternative. The benefits to improved productivity will be realized almost immediately. Bringing California classrooms from the back of the pack to a position of leadership among states and integrating technology into classroom instruction will require an investment in $10.9 billion over the next four years. We have already identified $4.2 billion in potential funding sources but $6.7 billion in new funds still need to be generated. We believe the Telecommunications Act, with its focus on universal services and advanced telecommunications for K-12 schools and libraries, will assist our schools to bridge the gap and pave the way for all schools to participate in the National Information Infrastructure. We want to "equip every classroom and school library with the technology resources needed to create a learning environment that will improve student achievement[1]." We are convinced that technology will make a difference in improving teaching

[1]*Connect, Compute and Compete: The Report of the California Education Technology Task Force*, Sacramento, California Department of Education, 1996.

and learning, although we know that many factors influence change and public policies.

Our Consortium on Universal Services and Advanced Telecommunications, in conjunction with the Education Council on Technology and Learning, and the California Technology Assistance Project have assisted in developing our position on universal service as outlined below and in the attached Further Comment on Specific Questions in Universal Service NPRM. We believe the funds that are set aside under the Snowe-Rockefeller-Exon-Kerrey amendment, Universal Services Fund, the high-cost funds, and the small business/entrepreneur fund will:

1. ensure all schools have an appropriate level of telecommunications services that meet the initial curriculum based needs of schools and libraries, at discounted, or E-rate;

2. stimulate competition to achieve discounts for basic and advanced services through a state-wide procurement process;

3. provide for low-cost advanced services to all schools, without reimbursement to service providers, except to ensure that advanced telecommunications and Internet capabilities are extended to rural, insular, high-cost and low income areas of California, and to encourage innovative actions and technological efficiencies; and

4. not be used to subsidize basic telecommunications services except to support equity issues.

We commend and thank you and the other members of the Joint Board for your efforts to realize the possibilities that universal service can bring to education. Your support of our position will help to move California toward our goals of bringing technology and access into every classroom and for every student by the year 2000.

Sincerely,

William L Padia

William L. Padia, Assistant Superintendent
Research, Evaluation and Technology Division

WLP:ctw

Attachment

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Services	)	

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FURTHER COMMENT ON SPECIFIC QUESTIONS IN UNIVERSAL SERVICE NPRM FROM:

California Department of Education
Education Council for Technology and Learning (ECTL)
California Technology Assistance Project (CTAP)
California Consortium on Universal Services and Advanced Telecommunications (CCUSAT)

Comment Date: October 18, 1996

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Opening Remarks:

California, the state that manages the largest public school system in the country, with 5.5 million students and nearly 7,900 schools, competes with other states--and nations-- for an economic edge is preparing its schools and students for the rigors of the Information Age. California schools are at varying stages of development, and in order for our students to compete with others on an equal basis, we need to plan and fund the appropriate technologies that would transform an ordinary classroom into a training ground for the next generation of artists, entrepreneurs and government leaders[1]. State Superintendent Delaine Eastin's California Education Technology Task Force completed a report that highlighted recommendations for a telecommunications infrastructure that supports an environment fostering how our students learn and how our teachers teach. The key to support this fostering environment are advanced services that would provide all schools with telecommunications capabilities that enables users to send and receive high-quality voice, data, graphics, and video telecommunications over high speed switch networks using any technology. Pete Wilson, Governor of California, has also made technology and telecommunications access key components in his educational plan for the state.

We applaud the NTIA, DOE and DOA concept of an E-rate for basic telecommunications services for schools and libraries, although the position we have taken is to focus on discounted rates, driven by competition, with targeted reimbursement from funds that are set aside under the Snowe-Rockefeller-Exon-Kerrey amendment, Universal Services Fund, the high-cost funds, and the small business/entrepreneur fund to the telecommunications service providers. We are in agreement with the NTIA filing for advanced telecommunications services, as our position is one of fostering competition to drive prices down for all advanced services. These reduced prices for advanced services will be made available to all schools. These universal support funds would be used to stimulate and encourage the development of innovative actions and to support advanced services in rural, insular, high-cost and low income areas.

To clarify, we believe the universal support funds will:

1. Ensure all schools have an appropriate level of telecommunications services that meet the initial curriculum based needs of schools and libraries, at discounted, or E-rate;

2. Stimulate competition to achieve discounted rates for basic and advanced services through a state-wide procurement process;

3. Provide for low-cost advanced services to all schools, without reimbursement to service providers, except to ensure that advanced telecommunications and Internet capabilities are extended to rural, insular, high-cost and low income areas of California, and to encourage innovative actions and technological efficiencies; and

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[1]*Connect, Compute and Compete: The Report of the California Education Technology Task Force*, Sacramento, California Department of Education, 1996.

4. Not be used to subsidize basic telecommunications services except to support equity issues.

Our major emphasis is on meeting the needs of all schools as defined by the California Education Technology Task Force in the report titled, "Connect, Compute and Compete", (September, 1996). In addition, the Governor's Task Force on Information Technology in the report titled "Getting Started", (1995), along with several education initiatives, supports the California Department of Education's goal to "equip every classroom and school library with the technology resources needed to create a learning environment that will improve student achievement[2]." We need to build a telecommunications infrastructure that has the capability to support interactive, high-speed transmission of full-motion video, voice, data, and graphics using the appropriate media to realize the goals of improved education.

The following recommendations expand our position on how the universal support funds and advanced telecommunications should be developed to support schools and libraries.

A) Support a discount rate structure for advanced telecommunications services that would be achieved through a competitive procurement process versus a flat percentage off a specific rate.

The key to the most cost effective communications rate for education is to develop a fully competitive communications market through a statewide competitive procurement process. The competitive bid process will protect rate payers, consumers and tax payers from footing the entire bill for the educational discounts envisioned by the Telecommunications Act. We anticipate that this process would not create new monopolies but rather maximize opportunities for multi-vendor participation, including the opportunity for community and regional consortia. We believe this approach to be consistent with the intent of the act by encouraging free market competition.

As we envision the process, all services would be unbundled and any telecommunications carriers including Internet service providers wishing to participate in the competitive bid process would be encouraged to submit their proposals. The bid process would be managed at the state level consistent with other statewide bid processes now in effect. A baseline would be established for the educational discounts resulting from the bid process. These rate floors could be based on the existing tariff rates currently paid by schools. Discounted services would defray recurring expenditures versus non-recurring expenditures.

We have included within our comments, Oakland Unified School District's further comments to Public Notice question #9. These comments address how universal service support for schools, libraries and health care providers can be structured to promote competition.

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[2]IBID.

B) Subsidies from the universal support funds should be used to stimulate and act as an incentive to develop innovative actions and efficiencies among incumbent telecommunications providers as well as new entrants into the industry. This would remove the most inefficient aspect of regulatory monopolies.

Service providers should not be able to recoup their costs through the universal support funds because it discourages change, maintains the status quo and inhibits real growth. Subsidies used as permanent discounts to tariff rates do not encourage competition, efficiency or innovation. However, under special circumstances, deployment of advanced telecommunications for schools and libraries in rural, generally high-cost, and low income areas are appropriate costs to be funded through the universal support funds.

C) Support the availability of a broad range of services that will scale and evolve with the school's and librarys' evolving requirements.

We recommend that all telecommunications services, including Internet services, be available to schools and libraries in a manner that permits them to select the services based on their needs and requirements.

Technological improvements are advancing so fast that limitations to specific advanced services would impede progress. Schools and libraries should be free to evaluate and choose from any current and future telecommunications services.

D) A neutral agency should manage the universal support funds.

A neutral agency, whether at the national level, state level or both, should be identified to support and manage the universal support funds and the effort to ensure the needs of schools and libraries are being met. The agency would embody equitable representation from various interests including education, libraries, health care, the community, local, state and federal government, the business sector, and the telecommunications industry.

Members of this agency would be empowered to establish accountability measures, establish a competitive bidding process to leverage universal support funds and provide funding incentives. The intent is to create a competitive market place where technological innovations, economic efficiencies and competitive procurement will replace direct subsidies and taxes on the ratepayer. Expenses to support this agency should be kept at a minimum and carefully managed so as not to compromise and deplete the universal support funds.

E) Discounts should come to the states in the form of block grants instead of direct billing credits.

The block grants should be used to support the development of basic and advanced telecommunications and Internet services to the rural, insular, high-cost, low income

areas of the state. These activities and funds will be managed by the neutral agency as defined above.

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Summary of Comments on the Specific Questions

6. All services should be discounted for schools and libraries and the discounted services would be achieved through a competitive procurement process.

7. Internal wiring should not be covered by the universal support funds. Instead, schools and libraries should be encouraged to use savings from discounted line charges toward local infrastructure development and support.

8. Section 706 and 708 cannot be relied upon to provide advanced services to schools, libraries and health care providers but they are supportive elements to making it work.

9. Competition will be enhanced by implementing state or multi state RFP processes for competitive bidding which will establish the opportunities to provide basic and advanced services. We support Oakland Unified School District's answer to this question and reference their position in the detailed comments.

10. Yes, so long as profit is not defined as cost recovery. Schools and libraries should be able to offer telecommunications services to the public without making a profit, although dollars may be recovered to support the service.

11. No. We agree with the Oakland Unified School District comments. If discounts were offered only for traffic or network usage attributable to the educational entities that qualify for the Section 254 discounts, the greater level of complexity and accountability would thwart the benefits of discounts.

12. Yes, we would like to see discounts come to states in the form of block grants to be administered by an agency similar to the one discussed in the opening remarks.

13. No. See comments to #12

14. See comments to #15

15. Schools should be required to develop a technology plan that will be certified by their district or an agreed upon entity.

16. The competitive bidding process should establish the best discounts for schools and libraries.

17. The continuation to participate in special rates will be at the discretion of each individual district. The competitive bidding structure will enable districts to choose the best options to meet their needs.

19. Yes, special provisions should be considered for these areas. If a competitive bid process is the vehicle of choice, providers will bid on an RFP which will include requirements to deal with the issues referenced in this question.

22. Yes. Schools and libraries have common issues and needs. Rural health care providers have different issues and needs. Therefore, they should be treated separately from schools and libraries.

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COMMENT ON SPECIFIC QUESTIONS IN UNIVERSAL SERVICE NOTICE OF PROPOSED RULEMAKING FROM COMMON CARRIER BUREAU

Detailed Comments on the Specific Questions

6. *Should the services or functionalities eligible for discounts be specifically limited and identified, or should the discount apply to all available services?*

All services should be discounted for schools and libraries. The discounted services would be achieved through a competitive procurement process. We define universal services to be that which is defined for "advanced telecommunications capability" in Section 706. It is telecommunications capabilities that enables users to send and receive high-quality voice, data, graphics, and video telecommunications over high speed switch networks using ANY technology. Universal services should also include new products and service enhancements that are not presently available.

To support our position, Section 254(c)(1) states in part that "Universal service is an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services". When recommending and establishing the definition of services, they "shall consider the extent to which such telecommunications services-- (D)are consistent with the public interest, convenience and necessity".

It has been said that technological leaps occur on an average of every 18 months... It would be impractical for the Commission to keep up with the rapid pace of technology. An effort to enumerate services will inevitably be anti-competitive by excluding new solutions to communication problems. Therefore the discount should apply to all available services and any new products and service enhancements that are not presently available.

7. *Does Section 254(h) contemplate that inside wiring or other internal connections to classrooms may be eligible for universal service support of telecommunications services provided to schools and libraries? If so , what is the estimated cost of the inside wiring and other internal connections?*

No, it is not technically feasible nor economically reasonable to expect that internal connections be paid from the universal support funds. Schools and libraries should be encouraged to use savings from discounted line charges toward local infrastructure development and support.

8. *To what extent should the provisions of Section 706 and 708 be considered by the Joint Board and be relied upon to provide advanced services to schools, libraries and health care providers?*

Section 706 and 708 cannot be relied upon to provide advanced services to schools, libraries and health care providers but they are supportive elements to making it work.

Section 706 supports the intentions of Section 254(h) which states that the Commission and each State commission are to inquire on a regular basis "whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion". If the findings are negative, they have jurisdiction to "take immediate action to accelerate deployment of such capability by removing barriers to infrastructure investment and by promoting competition in the telecommunications market" within 180 days of initiating the inquiry.

Section 708 also supports the intentions of Section 254(h). It established a private, nonprofit corporation whose purpose is to "leverage resources and stimulate private investment" and to provide the schools and libraries with loans, grants and other forms of assistance thru State education technology agencies. This corporation would assist schools and libraries to obtain the financial support required to cover the cost of resources that are needed beyond the intentions of the universal support funds.

9. *How can universal service support for schools, libraries, and health care providers be structured to promote competition?*

Competition will be enhanced by implementing state or multi state Request for Proposal (RFP) processes for competitive bidding which will establish the opportunities to provide basic and advanced services to meet school and library telecommunications needs. The state is the geographic area with the rates established after the competitive bid process award.

The competitive bid process will protect rate payers, consumers and tax payers from footing the entire bill for the educational discounts envisioned by the Telecommunications Act. The subsidies from the universal support funds should be used to stimulate and as an incentive to develop innovative actions and efficiencies among incumbent telecommunications providers as well as new entrants into the industry. This would remove the most inefficient aspect of regulatory monopolies. A baseline must be established for the educational discounts which may result from the bid process. It is our opinion that these rate floors should be based on the existing tariff rates currently paid by schools.

We support the following Oakland Unified School District comments on how universal service support for schools, libraries and health care providers can be structured to promote competition:

I. A contract agency should be established by each State Public Utilities Commission. This agency could be a part of the State Public Utilities Commission or an actual independent body similar to the nonprofit organizations established in the Act.

II. The contract agency would be empowered to issue a Request For Proposal (RFP) to all telecommunications service providers interested in providing discounted universal and advanced services to schools, libraries and health care providers within the jurisdiction of the State PUC.

III. The contract agency would designate the service categories up for bid and permit service providers to bid on any and all service categories.

IV. The contract agency would designate applicable geographic service areas. The total number of service areas must cover the entire state. Examples of geographic service areas could be:
(a single geographic service area covering the entire state;
(geographic service areas coterminous with existing LATAs within jurisdiction of the PUC; or
(specific geographic service areas designated as rural or urban, high cost or low-cost.

V. Service providers responding to the RFP should be permitted to bid on any and all service categories.

VI. In the bids submitted by the service providers there must be three cost items:
(the basic cost for providing their universal and advanced services;
(the discount cost offered to schools and libraries for each service category; and
(the cost subsidy required by the service provider from the universal fund to fund the discounted services.

VII. If there are geographic areas where no service provider makes a bid to provide service, the contract agency will issue another RFP permitting the winning bidder to qualify for high cost or low income subsidies from the universal fund.

VIII. The contracting agency could avoid the problem of lack of participation in high cost areas through a careful mapping of the geographic service areas and combining rural/urban and high income/low income locales. For example, LATA 1 in California not only includes the very dense urban San Francisco- Oakland Metropolitan Area, but the rural Mendocino County as well.

IX. Interexchange access should be unbundled from the local loop and no universal fund subsidies be allowed for interexchange access. An exception to this prohibition would be in the area of rural subsidies for health care Further Comments Page 6. providers. Furthermore, universal fund supports for lifeline services should be limited to local access.

X. It is proposed that each State PUC establish a universal service advisory council composed of fund recipients, contributors, state regulators and consumer groups to insure the neutrality of the contract agency and to provide a forum for airing the concerns of all parties.

XI. The award of a contract for the provision of discount services will be made to the lowest responsible bidder. The contract agency will evaluate the bid responses and make its recommendations to the universal service advisory committee. The contract agency will be responsible for the administration of the award. The universal service advisory committee will provide administrative oversight.

10. *Should the resale prohibition in Section 254(h)(3) be construed to prohibit only the resale of services to the public for profit, and should it be construed so as to permit end user cost based fees for services? Would construction in this manner facilitate community networks and/or aggregation of purchasing power?*

Yes, so long as profit is not defined as cost recovery. Schools and libraries should be able to offer telecommunications services to the public without making a profit, although dollars may be recovered to support the service.

11. *If the answer to the first question in number 10 is "yes," should the discounts be available only for the traffic or network usage attributable to the educational entities that qualify for the Section 254 discounts?*

No. We agree with the Oakland Unified School District comments. If discounts were offered only for traffic or network usage attributable to the educational entities that qualify for the Section 254 discounts, the greater level of complexity and accountability would thwart the benefits of discounts.

12. *Should discounts be directed to the states in the form of block grants?*

Yes, we would like to see discounts come to states in the form of block grants to be administered by an agency similar to the one discussed in the opening remarks.

13. *Should discounts for schools, libraries, and health care providers take the form of direct billing credits for telecommunications services provided to eligible institutions?*

No. See comments to #12

14. *If the discounts are disbursed as block grants to states or as direct billing credits for schools, libraries, and health care providers, what, if any, measures should be implemented to assure that the funds allocated for discounts are used for their intended purposes?*

See comments to #15

15. *What is the least administratively burdensome requirement that could be used to ensure that requests for supported telecommunications services are bona fide requests within the intent of section 254(h)?*

Schools should be required to develop a technology plan that will be certified by their district or an agreed upon entity that will review the technology plan. The California Department of Education would provide the schools with a set of guidelines for development and criteria. Paperwork should be minimized but enough to address important issues that are needed to ensure functional growth and future telecommunications considerations that could support connections to a district, county, state or national network.

16. *What should be the base service prices to which discounts for schools and libraries are applied: (a) total service long-run incremental cost; (b) short-run incremental costs; © best commercially-available rate; (d) tariffed rate; (e) rate established through a competitively-bid contract in which schools and libraries participate; (f) lowest of some group of the above; or (g) some other benchmark? How could the best commercially-available rate be ascertained, in light of the fact that many such rates may be established pursuant to confidential contractual arrangements?*

The competitive bidding process should establish the best discounts for schools and libraries. The vendor would be required to supply a list of who purchased the services.

17. *How should discounts be applied, if at all, for schools and libraries and rural health care providers that are currently receiving special rates?*

The continuation to participate in special rates will be at the discretion of each individual district. The competitive bidding structure will enable districts to choose the best options to meet their needs.

19. *Should an additional discount be given to schools and libraries located in rural, insular, high-cost and economically disadvantaged areas? What percentage of telecommunications services (e.g., Internet services) used by schools and libraries in such areas are or require toll calls?*

Yes, special provisions should be considered for these areas. If a competitive bid process is the vehicle of choice, providers will bid on an RFP which will include requirements to deal with the issues referenced in this question.

22. *Should separate funding mechanisms be established for schools and libraries and for rural health care providers?*

Yes. Schools and libraries have common issues and needs. Rural health care providers have different issues and needs. Therefore, they should be treated separately from schools and libraries.